

News

QUALITY WINS FOR AT&T

By Ollie Hartsfield

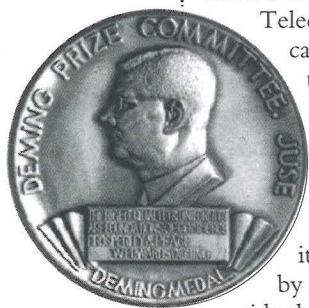
There was a certain expectancy in the air this October for thousands of AT&T employees; a feeling that something big was about to happen. The first indication came early in the month. AT&T Taiwan Telecommunications received the Republic of China's top award for quality—the first national quality award won by AT&T outside the United States.

And then it happened. On Oct. 18, within hours employees at AT&T Power Systems and Consumer Communications Services (CCS) learned their business units had won two of the top quality awards in the world: the Deming Prize and the Malcolm Baldrige National

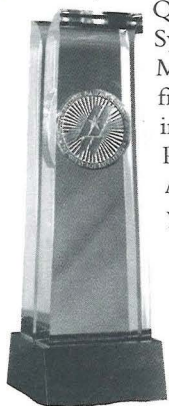
Quality Award. AT&T Power Systems, a business unit of AT&T Microelectronics, became the first American-based manufacturing company to win the Deming Prize. CCS brought home AT&T's third Baldrige in two years.

"I couldn't be more proud of the men and women of AT&T who earned this remarkable achievement," says AT&T Chairman Bob Allen. "These prizes have a deeper meaning for us. Quality is, for us, a basic business strategy for satisfying our customers and setting us apart from our competitors."

The results of the quality efforts of CCS and Power Systems are, indeed, setting them apart from the competition. At CCS, call set-up times have been drastically reduced, international call completion rates have improved 28 percent since 1991 and the number of days it takes to process customer orders has decreased by 90 percent. Because of improved technology from Network Services Division (NSD) more than 99 percent of calls are completed on the first try. And, to top it off, more than 25 million consumers have signed up for the "True" programs in just nine months. (It took MCI three years to enroll 12 million consumers in its Friends and Family program.)



STRIKE UP THE BAND. Bob Allen leads the Basking Ridge, (N.J.) High School Band in celebration of winning the Baldrige Award and Deming Prize.



CHUCK PASON/AT&T MEDIA SERVICES

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Earnings Continue Climb

Strong sales in products and services across AT&T business units led to a record 8.3 percent growth in revenues for the third quarter of 1994, continuing the company's positive growth trend.

Reflecting the recent merger with McCaw Cellular Communications and one-time merger expenses, the company reported third quarter combined net income of \$1.05 billion or 67 cents per share on revenues of \$18.65 billion.

Comparable numbers for 1993 show net income of \$1.02 billion or 66 cents per share on combined revenues of \$17.23 billion. AT&T has restated prior financial results to include McCaw, as if the companies had always been merged.

AT&T issued approximately 200 million new shares for the merger which reduced the combined per-share earnings by 9 cents, or about 10 percent. This quarter's profits also include one-time merger expenses, such as banking, legal and personnel costs for both companies, which reduced earnings about \$170 million or 11 cents per share.

Without the merger, AT&T's net income would have been \$1.19 billion or 87 cents per share on

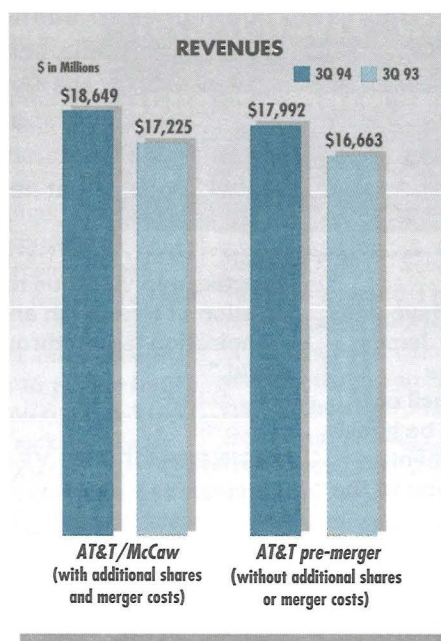
revenues of \$17.99 billion, compared with 1993 reported net income of \$1.05 billion or 78 cents per share on revenues of \$16.66 billion.

"No matter how you look at the numbers, they add up to a very good quarter from operations," said AT&T Chairman Bob Allen. "The results reflect the short-term costs of merging with McCaw, but the long-term benefits mean a stronger, growing, more competitive AT&T."

Many financial analysts agreed with Allen. "AT&T's results are a harbinger of things to come," Jack Grubman told the *Wall Street Journal*. Grubman is a leading telecommunications analyst at Salomon Brothers Inc. in New York. "AT&T is benefitting from every positive trend in the industry with traffic volume increasing, and wireless services are going gangbusters." Grubman predicted that

AT&T will be "the growth stock of the second half of the '90s."

True Success
Revenue from telecommunications services,



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Newsbriefs

CRUISING THE INTERNET ... AT&T has made it easy for people cruising the Internet to get information about the company, its products and services, business units, history, financials and more. In October, the company launched its own information site, or "home page," on the Internet, full of the kinds of things people most want to know about AT&T.

The site, called "www.att.com," is situated on the Internet's World Wide Web—often abbreviated as "the Web" or "WWW"—a fast-growing and user-friendly section of the Internet. The home page has been designed for access by Internet users of all kinds, from those with multimedia capabilities to text-only browsers. The system offers a number of full-color images and sounds. In the near future the AT&T Web site will offer a number of leading edge "You Will" type technology demonstrations, lists of frequently asked questions, and a self-guided electronic tour of AT&T and its global operations.

It is estimated that some 20 to 30 million people have access to the Internet, either directly or through various commercial on-line services, Internet access providers, and corporate and academic networks. The number of Internet users also is growing dramatically as more user-friendly browsing software, such as National Center for Supercomputing Applications (NCSA) Mosaic, becomes widely available. (Mosaic is the most popular graphical browser for the Internet.)

AT&T's home page on the Web is expected to expand as more AT&T business units and organizations join the company-wide project. The company envisions three primary uses for its World Wide Web Internet server:

- Customers can have real-time access to products and services with video, graphical and audio support capabilities.

DIRECTORY ASSISTANCE ... AT&T has filed a formal complaint with the Federal Communications Commission asserting that a new service from MCI, which charges customers for directory assistance calls placed to an MCI 800 number, is illegal. The commission's rules, as well as the 1992 Federal Telephone and Dispute Resolution Act, prohibit telephone companies and information providers from charging customers for calling 800 numbers. Charges can be imposed during an 800 call only when the caller uses a credit card, calling card, or has established a billing

agreement with the information provider prior to the call.

Under its new service, MCI proposes to charge customers from whose lines the 800 calls were placed, without informing callers of the charges or obtaining a credit-card number or billing agreement. AT&T requested that the commission block MCI from billing customers in this manner unless the customer agrees to accept billing consistent with current FCC rules.

SCIENCE MEDAL ... AT&T Bell Laboratories President John S. Mayo will be presented with the 1994 New Jersey Science/Technology Medal by the Research and Development Council of New Jersey on Dec. 1. Mayo will be honored for "extraordinary management achievement in bringing innovation to the marketplace."

The award recognizes Dr. Mayo's leadership as a major guiding force in the evolution of the world's communications systems. In particular it cites "the clear and reliable transmission of voice, data, facsimile and video images over domestic and global networks, using digital technology to improve the flexibility and versatility of signals traveling across continents, under oceans and through outer space, while simultaneously performing

- Customers can access distributed data bases, such as information help-line numbers, easily, quickly and on-line.

- Customers can provide real-time feedback on their needs to enable AT&T to provide faster and better quality service.

AT&T also expects to use the Web internally in various ways. For example, AT&T employees in one unit could use it to locate or identify resources or people in other AT&T organizations, faster and easier than they ever could before. Other internal applications may include data base or resource sharing, collaboration on product and service development, and various other communications and data processing activities.

As AT&T's Web server continues to evolve, the company will enable customers to place orders for products and services directly while on-line. Work is continuing on the development of processes and systems to facilitate on-line ordering, purchasing and other financial transactions.

Internet users may access the AT&T site from various "What's New" pages and directories available on the Web, or they may connect directly by providing the proper Universal Resource Locator address of <http://www.att.com/>.

PRICE PROTECTION ... Seeking equal treatment under Federal Communications Commission (FCC) regulations, AT&T has proposed price protection until 1998 for millions of low-income consumers and those who make only a few long-distance calls a month. The unprecedented price protection plan provides an average 9 percent reduction of the cost of up to 30 minutes of long-distance calling for low-income customers. It also provides an optional \$4 monthly charge for 30 minutes of calling and other benefits for infrequent callers. The company linked its proposal to a request that the FCC allow AT&T to operate under the same regulations as the rest of the long-distance industry. Currently, AT&T is required to wait 14 to 45 days before a price can be changed or a new service offer can be made. The proposal guarantees lower prices for low-income consumers if AT&T is treated like other carriers.

INTERACTIVE MULTIMEDIA ... AT&T Network Systems and BroadBand Technologies Inc. have agreed to develop and market a new system that will allow telephone and cable companies to connect homes and offices with interactive multimedia services. The new Switched Digital Video feature for AT&T's SLC-2000 Access System integrates BroadBand's industry-leading Fiber Loop Access switching and transport technology with AT&T's SLC-2000 system. The combination is intended to create a cost-effective technology platform for new digital services that network operators may want to offer.

an active and vigorous role in the administration of a research and development organization famed throughout the world."

ENGINEER OF THE YEAR ... Hispanic Engineer magazine has named two AT&T employees as Hispanic Engineers of the Year. Niurka Coy, member of technical staff at AT&T Bell Laboratories, was the winner of the Hispanic Engineer of the Year Award for community service. Heddy Pena, AT&T International Public Affairs director, was celebrated for her contributions to affirmative action within the Hispanic Community. A total of 18 winners were honored during the sixth annual Hispanic Engineer National Achievement Awards Conference in Houston.



Letters to the editor

Recycled Electrons

Is there some way to get *AT&T News* on recycled electrons and skip the recycled paper copy entirely? I know your design/layout folks don't have as much flexibility with raw ASCII text, but it's a lot easier to use, and I can save it for easy retrieval instead of throwing it away after reading it. Also, thanks for the multimedia article—it had a lot of good information. What would make articles like these more helpful is if each product description included contacts so we can actually find out about the products that are described—some of them sound like things I can help my sales team sell to real customers.

Bill Stewart, Pleasanton, Calif.

[Ed note: *AT&T News* is available electronically and can be accessed by subscribing to talktous:news. Please note that it will cost approximately \$13 each time you receive this and future issues. The paper edition costs about 34 cents per issue. Not everyone at AT&T has a computer on the job, or has access to one. By printing *AT&T News* in newspaper format, we ensure the widest possible distribution. Your suggestion for a contact is a good one, but could prove unwieldy. One way employees can obtain information on whom to contact for specific products or services is to call the FIND AT&T Center at 800-346-3288.]

Meet AT&T/McCaw

I just read the magazine which introduced the people of McCaw to the people of AT&T and vice versa. In my entire career with NCR, whenever the company purchased a new asset, we never found out anything about the company and its people. The attitude of sharing information freely is something I'm still getting used to. It's refreshing to see something more than a line in the local newswire. Thanks and please keep it up.

Jerry Mullen, Miamisburg, Ohio

Real Customers

As a follow-up to the letter (September issue) regarding AT&T's solution in helping Woodenboat ("Real Customers: AT&T Bails Out Woodenboat", June), the 1-800-CALL-ATT team is planning to provide customers with the option of automatically reaching AT&T to complete their calls by responding to a prompt. When the customer first approached the team, the primary concern was to immediately place an announcement on the 800 number to "screen" misdialed calls from reaching (and "sinking") the customer's business. Since that time, the team has been monitoring the daily call volume and will in fact be offering customers the ability to automatically complete their calls in the near future. Thanks for the suggestion! Also, several members of the quick response team who were instrumental in developing and implementing the solution were omitted from the original article: Johnny Bond, Diane Coulter, Burt Misni, Hugh O'Neil and Donnie Owens.

Joe Ferraro & Dale Euteneuer, Basking Ridge, N.J.

Common Bond

I've enjoyed my 12-1/2 years at AT&T and still hold out a slim prospect of adding to it. During this stressful time that I have been on the MCCP program, the "Common Bond" has been sorely missing. Common courtesy has been sorely missing. I have sent numerous resumés out while attaching a cover letter. In that cover letter I specify to please call me back and let me know if the job is wired or if I would be a viable candidate. Unfortunately the responses have been few and far between. Coming from a customer service environment I've always treated people the way I would want to be treated, with dignity and respect. If you can't treat others fairly, how can you respect yourself? If this is the way we are treating our own people, how are we treating our outside customers?

Mike DeLeonardis, Liberty Corner, N.J.

To Catch A Thief

Bottom Line

By Tom Landers

Telecommunications fraud costs consumers and businesses billions of dollars a year. It's the "shoulder surfer" who watches as you punch in your calling-card number at a public phone and sells it to another. It's the hacker who breaks into a company's private phone system, or a cellular system, and begins making calls. But AT&T is fighting back on many fronts, and giving customers the tools and support they need to detect and deflect thieves.

Carrying the battle against fraud into new frontiers, AT&T Network Systems in mid-October announced the development of sophisticated detection and prevention tools to help wireless service providers stem the ever-growing problem of cellular fraud.

AT&T Network Wireless Systems will offer enhanced and improved features and fraud-detering tools to cellular service providers in the first quarter of 1995.

"These features are exciting for the cellular industry," says Joseph A. Juliano, director of industry matters at Southern New England Telecommunications Mobility Inc. "Instead of losing millions of dollars to fraud, we'll have the power to cut losses drastically because of immediate access to the data when cellular fraud occurs."

Says Larry Watt, AT&T Corporate Security director, "Cellular access fraud is any unauthorized use of the service through the intentional or unintentional tampering of a cellular phone's unique electronic serial number or mobile identification number."

Although there is no official reporting system, cellular service providers put their losses due to fraud at \$500 million a year. And the U.S. Secret Service, which is the federal agency that investigates interstate telephone fraud, estimates the total telephone toll revenue

bilked from U.S. corporations at between \$1 billion and \$2 billion a year.

To prevent such losses, and save customers from annoyance, inconvenience and interrupted service, AT&T is using a combination of the latest high-tech tools and good old-fashioned detective work to attack all forms of network fraud. The corporation is going after the thieves who steal what AT&T values most: minutes on the network.

Watt's office in Bridgewater, N.J., is just down the hall from AT&T's Global Network Fraud Detection Center, an around-the-clock operation that monitors network traffic and identifies fraud patterns for investigation and possible prosecution.

"Our center is a valuable asset that we have used to our competitive advantage," says Watt. "We work with the business units by showing the center and its capabilities to their customers. This allows us to offer security as a product or service differentiator, and we can help close a sale."

Not to mention put a crimp in criminals' connivery. In recent years, advanced software and real-time computer systems have given local and interexchange telephone companies the ability to spot the fraudulent use of a pilfered calling card number, for example, in a matter of hours, if not minutes.

Watt recalls one case of calling-card fraud (not an AT&T card) that began on a Thursday evening in New York City with the theft of someone's card number just as the local telephone company's network monitoring center was closing for the weekend.

By Monday morning, the number had been sold and used in 32 U.S. locations and four foreign countries to generate calls that terminated in an alphabet soup of 38 foreign countries ranging from

Australia to Yemen. "That one resulted in \$294,378.75 in lost revenues," says Watt.

High-Tech Robbers

A recent scam shows that more devious techniques are being used to obtain calling-card numbers in greater numbers.

In October, an MCI switch engineer in North Carolina was charged as the leader of a telephone calling-card theft ring. According to federal authorities, the employee used a software program to steal 60,000 calling-card numbers from MCI and other companies. The numbers then were sold and used to make \$50 million worth of fraudulent calls. MCI dismissed the employee, who now faces felony charges and, if convicted, could serve 10 years in jail.

Some convicted cheats already are locked up. In June, a 24-year-old Pennsylvania man was sentenced to eight years in prison and ordered to pay \$433,000 in restitution and \$75,000 in fines after being found guilty in January of wire fraud, money laundering and access device fraud. The man was convicted of using a phony 900 number scheme to defraud AT&T of about \$550,000.

"We're in a shoot-out with 'high-tech robbers' who brazenly steal long-distance service from our business customers," says Kevin Hanley, a member of the strategic marketing security core team for AT&T Global Business Communications Systems (GBCS). "Our goal is not only to defend against hackers, but to get them off the street."

Hacker Trackers

As a result, GBGS and Corporate Security have created an investigative unit whose sole purpose is to monitor, track and catch phone-system hackers in the act of committing toll fraud. The unit initiates "electronic stake-outs" with its business communications equipment customers in cooperation with law enforcement agencies, and works with them to prosecute the thieves.

In addition, AT&T offers security systems and services to protect business customers against toll fraud, including Hacker Tracker software for call accounting systems and NetPROTECT service.

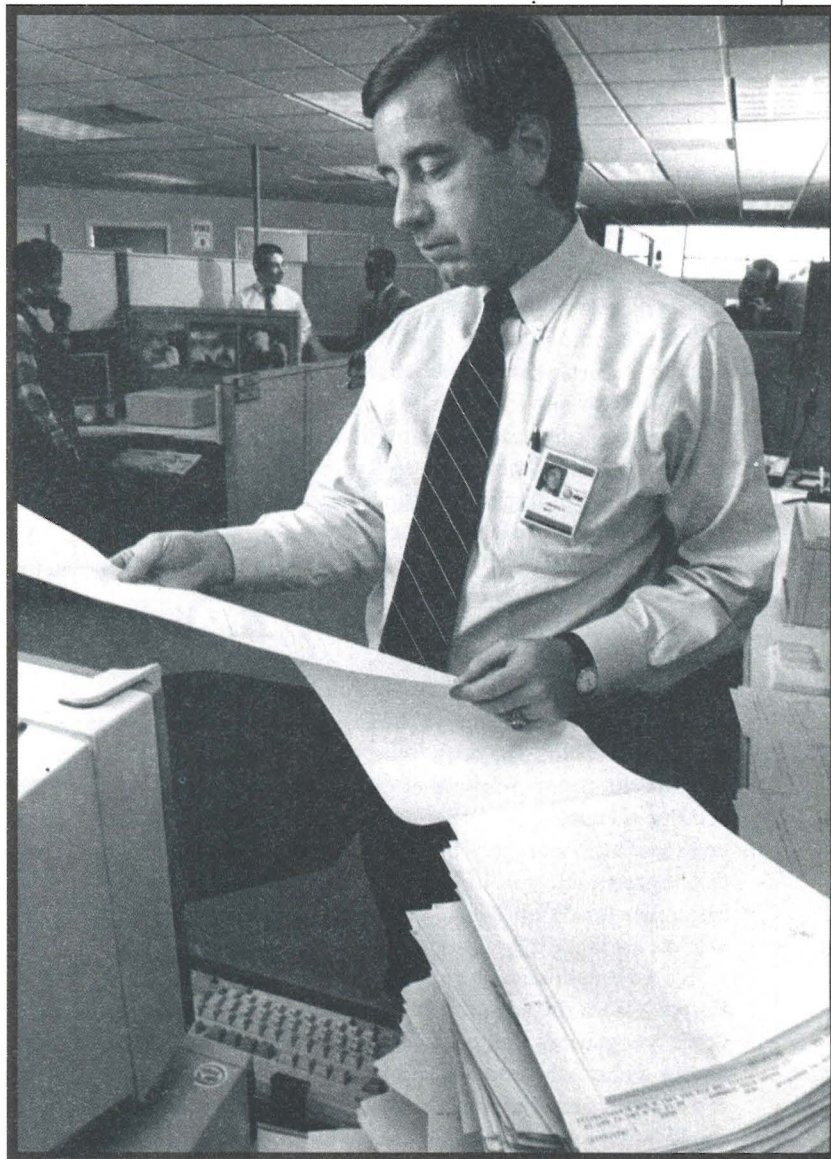
Earlier this year, AT&T expanded its family of NetPROTECT computerized monitoring services to offer the industry's first across-the-board liability limit. AT&T's NetPROTECT Basic Service provides a \$25,000 liability limit for virtually all AT&T business customers who use on-site telephone systems, such as PBXs or key systems.

"As an incentive for business cus-

tomers to work with us, we will automatically halve the liability limit if they detect and report the fraud first," says Watt. This means a limit of \$12,500 for any one incident of fraud.

All NetPROTECT options include computerized monitoring—24 hours a day, seven days a week—to detect calls to high toll-fraud areas and unusual trends in inbound long-distance calling. If suspicious calling patterns are detected, customers are notified so they can secure their telephone systems to stop the fraud.

Since its introduction in 1992,



MIKE GAFFNEY

Larry Watt examines a printout of calling patterns for possible unauthorized use of calling cards.

How to Avoid Phone Fraud

1. When using a public telephone, make sure no one can overhear your calling-card number as you give it to the operator. Speak directly into the mouthpiece in a quiet voice and block the view of the keypad when you enter your card number. Whenever possible, use public phones that magnetically read your card.

2. Never divulge your calling-card number to someone posing as a telephone company representative. Only disclose it when you are making an operator-assisted call.

3. Never accept third-number charges from someone you don't know, or if someone poses as a telephone company representative and asks for your help with an investigation.

4. Never reveal a calling-card or credit-card number simply as a means of identification.

5. Watch out for the seemingly innocent incoming caller who asks

to be transferred to another extension. If possible, get a name to go with the number and verify it by looking in the company directory. Otherwise, you might be unwittingly transferring the caller to an outside line.

6. Use hard-to-break passwords and remote access codes with your telecommunications system. Use the maximum number of characters and avoid predictable numbers such as ascending or descending digits, your extension (or extension reversed), room number, employee ID number or Social Security number. Never use default passwords or default access numbers.

7. Change passwords and access codes a minimum of four times a year. Change or remove authorization codes when authorized users leave the company.

8. Never write down remote access codes or passwords, or program them into auto-dialers.

"We're in a shoot-out with 'high-tech robbers' who brazenly steal long-distance service from our business customers." —Kevin Hanley

NetPROTECT Service has been a valuable weapon: The average size of an incident of fraud against AT&T business customers has been reduced by 75 percent. Despite that success, however, the war is far from over. AT&T still notifies more than 1,000 customers a month of suspicious calling activity.

As Hanley points out, though, the situation is getting better. "Customer awareness is up, telephone system vendor awareness is up, and customers are doing more for themselves," he says. "The bottom line is this: Fraud is preventable. If you learn your telephone system as well as the hackers know it, then you'll be in a position to put them out of business." ■

By Collins Yearwood

The Sound of Innovation

From left Jeff McAteer,
Bill Porter and Jim West

DAVE HOFFMAN

The world may yet see the day when the very best multimedia computers, stereos and conference room systems will be stamped with the words "AT&T Inside."

And it's AT&T Intelligent Acoustic Systems, a newly created strategic business unit (SBU) in AT&T Consumer Products, that will make that possible. Building on AT&T Bell Laboratories' expertise in acoustic and audio technology, Intelligent Acoustic Systems plans to bring a sophisticated level of sound to computers, consumer electronics, cellular phones, voice modems, audio conferencing, and even point-of-sale terminals.

In less than one year, the entrepreneurial group of three individuals has established an end-to-end business that includes design, development and manufacture of microphones and other components that are essential to multimedia applications. By year end, the SBU expects to generate more than \$3 million in revenues.

Core Technology

"We're capitalizing on a core technology that truly has a competitive advantage," says Bill Porter, general manager, Intelligent Acoustic Systems, who launched the group to increase the commercial use of underutilized Bell Labs acoustic technologies. Other members include Bell Labs engineer Jeff McAteer, who will lead the research and development effort in Indianapolis, and Bell Labs acoustics researcher Jim West, Murray Hill, N.J. West is one of the world's leading experts in acoustics.

"It's no longer enough that a computer beeps," says Porter. "With the advent of powerful audio boards and voice recognition, there is a demand to incorporate high-quality audio into products and services. Putting voice, text and video together on a personal computer means that the sound quality will have to be greatly improved. We're planning to be in a position where we can provide high-fidelity sound on the desktop."

Porter will lead the group's efforts in developing alliances, venture relationships and other distribution channels to extend the use of AT&T's acoustic and audio products. The SBU has already introduced two new products, the AT&T Directional Microphone 1000 and the AT&T Loudspeaker/Mic Peripheral. The AT&T Directional Microphone 1000 is designed to reduce reverberation and background noise, making it ideal for applications that require high-level, quality sound input. It can be integrated easily into products, such as personal computers, personal digital assistants, speakerphones and telephones.

West says that a lot can be done with a "smart microphone." "Directional microphones, or smart microphones that recognize their noisy environments, optimize the sound characteristics so they eliminate outside noise," said West, who observed that cellular phones require the same kinds of acoustics.

Compaq Computer Corporation already has chosen Intelligent Acoustic Systems to supply microphone technology and acoustic consulting services to help it integrate telephony capabilities into its line of home computers. AT&T Microelectronics recommended Bell Labs acoustical capabilities to Compaq.

Full Service Provider

"We originally had an agreement to deliver a modem and speakerphone, but realized we could maximize the personal computer's performance by adding a microphone. We increased our total sale to Compaq and demonstrated that AT&T is a full service provider," explains Ron Crochiere, head, Digital Processing Systems Department, Murray Hill.

AT&T's Loudspeaker/Mic Peripheral consists of the AT&T Directional Microphone 1000 combined with a high-quality speaker arranged to produce high-fidelity pickup and output of speech. The Loudspeaker/Mic Peripheral is ideal for multimedia applications, such as PC-based, hands-free telephony. Global Information Solutions, is integrating the Loudspeaker/Mic Peripheral into its *Globalyst* 360TPC product, AT&T's first personal computer with a full duplex speakerphone.

Other uses for Intelligent Acoustic Systems products include point-of-sale applications for the fast-food business. "We're working with a fast-food vendor to put AT&T

microphone and loudspeaker technology, and the associated electronics, in the drive-up position in a fast-food operation to provide clearer sound pickup," Porter explains.

Porter says that point-of-sale applications are key because the goal is to translate, for example, the word "hamburger" into a price. "We want to receive voice input, digitize that sound and have it extract price information from the point-of-sale terminal."

Porter said that maximizing the efficiency of the drive-through position will enable fast-food restaurants to better serve their clientele. "By having clearer sound input/output you can squeeze more cars coming into the drive-through

position in a finite amount of time. Just being more efficient

translates into millions of dollars of additional revenue." It also helps guarantee accuracy in filling orders.

The group also is currently designing the hands-free microphone system for Walt Disney's "Alice in Interactive Wonderland" exhibit at the Epcot Center. When visitors enter the exhibit, a built-in microphone lets them talk to Alice characters and navigate through an interactive Wonderland displayed on a large video screen.

Porter says that he wants to see the SBU become the Intel Corporation of acoustics. "My

charter is to put 'The Sound of AT&T,' or 'AT&T Inside,' other vendors' products," Porter explains. "If you think of how Intel has successfully created the idea of their being an enabling technology for computers, then you can see why we're taking core technology out of Bell Labs and making it an enabling technology for other vendors' products. While my group will not build an AT&T Walkman, we may someday put the microphone inside a Sony Walkman." ■

Loren Talley contributed to this article.

Paradyne

STEPS INTO NEW ROLE

By Tom Savonick

In the five years since being acquired by AT&T, Paradyne has been learning its lines and seeking its part in the AT&T ensemble. In August, Paradyne debuted an expanded role. Continuing to serve business customers and distributors, Paradyne now steps into a featured role as product business unit supporting other AT&T business units. When the business units take a look at the new Paradyne, they may award it four stars and two thumbs up, along with signing the star performer for their next customer presentation.

About the Cast

Paradyne develops, manufactures and licenses data-communications and telecommunications products and technologies. Products include modems, multiplexers and other access devices that let individuals and businesses connect to a variety of private and public telecommunications services. Some might say Paradyne products are the on-ramp to the information superhighway. As the information superhighway extends its reach, so does Paradyne, averaging 20 percent growth in each of the last three years. With the proliferation of new network services soon to be available, the market for products like Paradyne's is expected to grow from \$5 billion today to \$25 billion by 2001.

During the last 16 months, Paradyne innovations have won more than 30 awards, including *PC World's* "Best Buy" for its *DataPort* modem. Other innovations include the world's fastest dial modem, with a speed of 33.6 kilobits per second; *VoiceSpan* technology for simultaneous transmission of voice and data; the first modem that can be upgraded by phone; the first high-speed, credit-card-sized data/fax modem; and the first commercially available high-speed transmission technology for video-on-demand over standard telephone lines.

Teamwork Is the Theme

This spring, Paradyne looked at the convergence of computing, telecommunications and office automation and saw changes coming. The information superhighway. Telecommuting. Global networks. Exciting new services merging voice, video, audio and data. All these opportunities seemed ripe if Paradyne could define its future customers and outline the right strategy for reaching them. So Paradyne benchmarked the

distribution strategies of competitive companies and asked its Customer Council members for input. As a result, Paradyne now defines its access to end users through other AT&T business units and external, indirect channels.

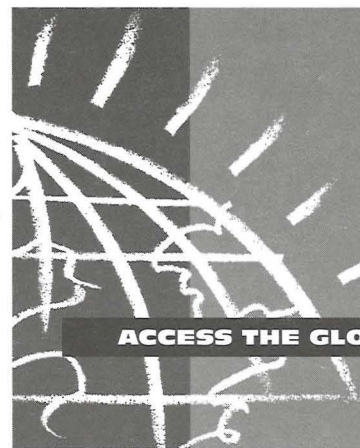
"The role we can play most perfectly is to support the larger network-solution offerings provided by other AT&T business units," says Bob Murray, vice president, Marketing, Largo, Fla. "We expect our sales force to spend the bulk of its time supporting the other business units' sales teams in putting together winning proposals. We've already been working with Network Systems, Global Business Communications Systems, Global Information Solutions and Business Communications Services to see how we can function as a product business unit. We'll maintain our high-technology leadership and quality products delivered on time, but we'll also meet all the other responsibilities of a product house. We'll provide training, sales tools and support to the business units. And we'll use marketing, public relations, advertising, trade shows and events to encourage sales that our business-unit partners can fulfill."

What's In It For You?

Paradyne's data communications expertise already is helping business units get John Hancocks on the dotted line. "AT&T Network Systems—using our *Acculink* access multiplexers—sold a cellular system in Argentina resulting in more than \$6 million in product sales for Paradyne," says Joe Crupi, senior vice president, access products, Largo. "And WorldSpan, a leader in airlines reservations systems, chose AT&T to provide its reservation network. We worked with AT&T Data Communications Services to incorporate our Geneva 3900 private-line modems into the WorldSpan solution."

Delighting customers is the

AT&T story in which the folks at Paradyne would like to further expand their role. "The customers we talk to often tell us that the only communications company in the world capable of providing a true, global, end-to-end network solution is AT&T," Murray says. "That is exactly what our customers want and, frankly, what our competitors fear. If we can provide that end-to-end solution, there is no other company in the world that can stand against us. We'd like to be seen as contributors toward that goal." ■



ACCESS THE GLOBE

CCS systems analysts and computer programmers in East Brunswick, N.J., celebrate the Baldrige win.



Big Picture

QUALITY ATTITUDE SNARES BALDRIGE, DEMING AWARDS

continued from page 1

In the past five years, Power Systems, which produces power products and energy systems for data applications and telecommunications industries worldwide, has cut in half the time it takes to bring a new product to market. Average product quality has improved by a factor of 20, the time to complete customer orders has been cut in half, and products are shipped to the customer request date 95 percent of the time. Power Systems is now one of the industry leaders in customer satisfaction scores, and its customer base is six times larger today than five years ago.

Yet, the success story for both CCS and Power Systems is not merely in the results. It is in the changes that both businesses have undergone to put quality and customer needs at the center of how they operate.

As an organization that interacts with consumers more than four million times a day, CCS has always been focused on the customer. But its view of the customer has changed as customers and technology have changed. Since 1988, CCS has shifted its focus from selling customers individual products to meeting the customer's total communications needs, and from decisions based on internal expectations to decisions based on what the customer expects. The "total quality" approach became part of daily operations and the Baldrige criteria became the measure of progress.

For Power Systems, this change meant a complete transformation in 1989 from an internally focused cost center to a customer-focused end-to-end business unit. The business unit consolidated most of its operations, bringing the manufacturing staff, sales and marketing personnel, and research and development engineers from AT&T Bell Laboratories together under one roof. New customer-focused quality-improvement teams were formed, each able to meet all of the customers' needs from developing new products to shipping completed ones. Total Quality Management became the basis for how Power Systems was

operated and managed. This emphasis on quality reflects the broader emphasis placed on quality throughout Microelectronics.

Listening to the Customer

Incorporating the voice of the customer into an organization's decision-making process is an important part of quality.

In CCS, the voice of the customer was the driving force behind the development of the enhanced sound quality of AT&T *TrueVoice*. The decision to try improving AT&T's long-distance sound quality came directly from marketing research that showed consumers considered sound quality an important aspect in long-distance calls. During the course of three years, AT&T Bell Laboratories engineers at the AT&T Consumer Lab perfected the *TrueVoice* technology, each time going back to consumers to test the results and fine-tune the process further. The result: four out

of five consumers say they prefer the sound of *TrueVoice* over the sound quality of other networks.

At Power Systems, "voice of the customer" teams are the channel through which customer problems, questions and requests are heard and acted on. The teams are comprised of salespeople, order entry clerks and customer representatives called opportunity managers who have frequent contact with customers. "We listen to the customer and because we are already formed into customer-oriented teams, we find the most effective solution for the customer," says Burt Lewis, customer service manager in Mesquite, Texas. Sometimes this means going to the engineers to resolve a technical issue. Because the team has extensive knowledge of the business and because it can access the engineers so quickly in the building, the customer receives an answer very quickly, adds Lewis.

Involving Employees

"Getting the expertise our employees have inside their heads

out and into practice" is the secret to satisfying customers and employees, says Andy Guarriello, chief operating officer, AT&T Power Systems in Mesquite. So Power Systems began asking employees to use what they know about their jobs to improve their jobs. Employee suggestion programs were instituted, along with contests encouraging employees to design mistake-proofing devices that eliminate manufacturing errors.

As a result of these initiatives, employee suggestions rose from 50 to 7,000 a year, and mistake-proofing devices have been developed that saved Power Systems thousands of dollars in the cost of correcting problems.

One employee, Paul Stevens, created a simple device that prevents transformers from being manufactured with misaligned cores. The device eliminated electrical failures caused by the misalignment and ensured that customers would get a product that worked properly.

When a fiber-optic cable in New Jersey was accidentally cut in 1988, calls going through AT&T's network were blocked for sixteen hours. NSD realized the urgent need to improve its technology so calls could be rerouted and the network could be restored faster. In three years, a team of engineers developed *FASTAR*, a one-of-a-kind system that instantaneously reroutes calls around network "trouble spots." Now, if a similar cable cut occurs, the service can be restored in minutes.

Ray Drake, a staff manager, CCS, initiated a task force to improve a process that was a source of dissatisfaction for employees and consumers. Customer contact associates were required to answer consumer questions by following scripted information about CCS products and services. But if customers asked questions that weren't covered in the script, the associates were some-

times caught off-guard or unable to help consumers quickly enough. Drake, along with associates and managers, worked together to change the script. Instead of scripts that must be read word for word, associates now receive only the essential information. They then use the information to respond to consumers' needs on an individual basis. Associates like the new process better because they can add their own personality to the way they help consumers. Customers like it better because they get a more personal touch.

The Journey Continues

"Winning the Baldrige Award and the Deming proves AT&T's ability to use quality methods to meet customer expectations and to engage its employees," says Curt Crawford, president, AT&T Microelectronics. But CCS and Power Systems are not resting on their laurels. Both business units already are looking at the next areas for quality improvement.

The quality process is not about winning an award, says CCS President Joe Nacchio. "It's about helping empowered associates build a strong customer-focused business." ■



Teams like this one at Power Systems in Mesquite, Texas, can quickly meet on the factory floor to discuss solutions to customer needs. Clockwise, from left, Bell Labs engineer David Nguyen, technical associate Dana Amos, Bell Labs engineers Len Pitzele, Chavonne Yee and Fred Pan, and production specialist Steve Williams.



Diversity

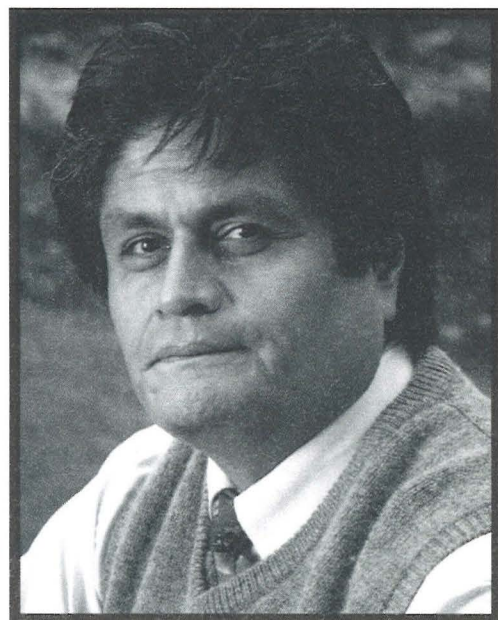
By Marianne Carlton

November is Native American Awareness Month. Check local newsletters for cultural and educational activities at your location.

Through the formation of the Inter-Tribal Council of AT&T Employees, Native American employees hope not only to educate others about their culture and ways, but also themselves.

A Year of Hope for Native Americans

Gael Antone



BARD WRISLEY

The Forgotten People. That is what Native Americans sometimes call themselves, says Vette Middleton, with Corporate Information Technologies Services in Alpharetta, Ga. And it's not hard to understand why.

"When you attend a diversity workshop or presentation, what do you usually hear about the original inhabitants of this country?" asks Middleton. "Usually nothing, or information from a book written by a historian who is not even Native American. Or worse, the myths and savage portrayals depicted by Hollywood. Those old Westerns and cartoons are still around and so are people who believe they are true."

Middleton is among the Native Americans at AT&T who recently founded an employee resource group, the Inter-Tribal Council of AT&T Employees (ICAE), to unite their community, educate others about Native American culture and ways, and break down barriers in the workplace.

Until the creation of the ICAE this year, Native Americans at AT&T had no formal way to find other tribal people within the company. Partnering with other employee resource groups, ICAE was able to reach Native Americans working at AT&T to form a network. "Imagine being a woman at a location with no other females—or being a man at a location with no other males. No one to share your issues or con-

cerns. That can be very isolating," says Middleton.

"We now have a network of people who know how important the old ways are to us. Who don't laugh when we call the land Mother Earth or Turtle Island. We can speak our language without shame and without fear. We can talk of the things that hurt us, make us happy or concerned."

Old Stereotypes

Among those hurts and concerns are stereotypes other Americans assign to Native Americans. Middleton recalls greetings of "Squaw" or "Chief" to herself and friends. Or being asked during inclement weather, "Did you do a Rain Dance?" Some of the questions are amusing: "Do you live in a tee-pee?" or "I didn't know you people ate Chinese food!" Some are not so amusing like the time when an AT&T sales associate ignored Middleton's and a friend's attempt to buy a product at an employee sale.

"As we calmed down, we talked about people like the sales associate who work for AT&T. Our thoughts and concerns were not just as employees, but also as stockholders. How much business are people like that costing AT&T? This brings home the point that AT&T's commitment to diversity is critical to the company's future success," Middleton notes.

Breaking Down Barriers

Gael Antone, with Network Services Division Access Finance Group in Alpharetta, hopes that educating

other AT&T employees about Native American culture and ways will help break down barriers to career advancement. "Native Americans are taught to give and not expect anything in return, much less brag about what you gave," explains Antone. "That makes it difficult for me to write up my accomplishments or resumé, or to pat myself on the back for a job well done. It is just not in me to do so. It is difficult to do things against what you have been taught."

Even more difficult for Native Americans is the lack of respect shown to them and their ancestors, and how that affects their relationships at work. "We all know you can't leave all of your feelings at home when you come to work," says Middleton as she describes a recent effort to preserve ancient burial mounds from being bulldozed for a housing development.

Although laws protect burial grounds of other Americans, nothing prevents people from digging up the remains of Native Americans. And that includes "pot hunters" who seek the ancient artifacts buried in the mounds.

"Respect for the Elders and those who have left on their Spirit Journey is part of our very being," says Middleton. "The attempt to pretend that our people never even existed causes bitterness, sadness and resentment. It is not fair to those with good hearts but different skin to bring those feelings to your work."

Through the formation of the

Inter-Tribal Council of AT&T Employees, Native American employees hope not only to educate others about their culture and ways, but also themselves. "Because our people were physically separated by the Trail of Tears and by the restrictions of reservations, we don't really know much about Tribes other than our own, or what we learned through Wisdomkeepers, Storytellers and Elders," explains Middleton, recalling that until the late 1950s Native Americans could not own land or vote.

"Some people don't even know the traditions of their own Tribe because it was against the law for Native Americans to speak their languages, perform their ceremonies, pass down stories, and otherwise preserve their way of life. Parents feared that teaching children songs, stories, ceremonies and dances would endanger their lives."

In the last 10 years, though, there has been something of a renaissance for Native Americans. Historical events are being reexamined; there is immense interest in the traditions, culture and art of American Indians. Tribes are beginning to build businesses that raise the economic level of their members. Many people who once might have felt shame or feared admitting to Native American ancestry now feel proud of their heritage.

This change, says Middleton, is the beginning of a fulfillment of a 500-year-old prophecy which predicted the near extinction of the Native American people and a rebirth. "Part of that prophecy," explains Middleton, "was a promised sign of hope for harmony among all the world's people. The symbol according to the prophecies was to be the birth of a female white buffalo calf. The calf was born this year, Aug. 20. ICAE hopes to become a thread in this blanket of hope for our people and the people of the world." ■

Vette Middleton



"We now have a network of people who know how important the old ways are to us."

BARD WRISLEY

LOANED EXECUTIVE UNEARTHS A *Wealth of Opportunity*



Rich Moore (center) was assisted by GBCS associates Dolores Mitchell and Andre McFadden.

ALAN MARKS

When movers and shakers think of profits and investment opportunities, Harlem, in New York, rarely comes to mind. But Rich Moore, a Global Business Communications Systems (GBCS) controller on loan to the Harlem Chamber of Commerce, found opportunity where few would bother to look.

When Moore looked, he saw a "smart village" and described Harlem that way in a Federal Empowerment Zone application written in collaboration with the Chamber and the office of Congressman Charles Rangel. These grants include tax incentives, small business loans and training programs intended to stimulate economic growth in qualified areas.

In writing the application, Moore presented a vision of Harlem in which creativity and technology would turn its playgrounds into safe and secure areas, where business would flourish, and where culture and technology would combine to create learning experiences. The feeling in the community is that Harlem will win the grant.

During his one-year tenure with the Chamber of Commerce which ended in October, Moore has helped open a GBCS business office in Harlem, played a role in renaming a street after a cultural institution, and unearthed a significant sales opportunity for AT&T.

Moore used his business expertise and his position on GBCS's Management Executive Committee to raise the busi-

ness unit's awareness of Harlem's opportunities. "The African-American business market is very dynamic, representing hundreds of millions of dollars to GBCS," Moore explains. "Harlem's many small businesses can profit from readily available services like voice mail and fax."

Using the concept of a franchise, developed by James Walker, vice president, Sales Service Division, GBCS opened an office serving the Bronx and Harlem business communities. Like other GBCS franchises, the office will sell products and services ranging from two-line phones to *Definity* systems. "Under the franchise concept," Moore says, "we tried to create 'local business units' to sell to and service business and

residential customers. We needed people who feel comfortable going door-to-door in the community to sell our products." Those "feet" included people from GBCS who live in Harlem and sales agents hired and trained from the local community, Moore says.

"The Harlem franchise will end up one of the most profitable franchises in the GBCS national network this year, in its first year of operation," he says. "If someone were to ask you a year ago, 'Can you be profitable if Harlem and the Bronx are your sole territory?' I don't think the answer would have been yes. That's the most powerful story of all."

Moore also worked with the National Black Theater and its founder, Dr. Barbara Ann Teer, to lay the groundwork for a cultural media center similar to the Epcot Center at Disney World. Even while playing a role in having a street renamed after her theatre—Fifth Avenue between 125th and 126th Streets—Moore was thinking of ways to weave culture and technology.

"In Harlem, the lack of understanding of technology is hurting community people. We're looking at a marriage between high-tech and an understanding of the culture to help people grow," says Moore.

Through Dr. Teer, Moore was introduced to a small company which has patented a liquid-crystal-display projection technology ideally suited for large screen displays—a staple of multimedia presentations. That technology will play a key role in the proposed media center. "Through an investment in the community from a grassroots level," Moore says, "GBCS may have a very strong strategic business position with leading-edge technology. That's the power of a network within Harlem." ■

—Collins Yearwood

New Tomorrows for Homeless People

Everyone agrees: Mike Lewis caught the vision. And because he did, life holds more promise for some homeless people who live almost within the shadow of the White House.

The vision struck Lewis during last year's holiday season. A Global Information Solutions (GIS) resource center manager in Rockville, Md., he had volunteered through an AT&T program to help at the Gospel Mission of Washington, D.C., a shelter for homeless men. Lewis dreaded going, fearing the home would be dirty and chaotic. "I didn't know what to expect."

Nothing prepared him for the serenity and cleanliness. Or for the resourceful Jovita Retizos, assistant to the Rev. John Woods, who runs the mission. Retizos took the edgy Lewis on a tour of the privately funded mission. She showed him the five "dinosaur" computers and

two printers she bought for \$15 each at a government surplus auction. She confided that the Rev. Woods' dream was to start a school to help homeless people reclaim their lives.

Lewis lives in downtown Washington where he sees a lot of homeless people. Sometimes he gives them money and helps them to a shelter. So the mission's dream excited him and he vowed to give it "everything I've got."

He knew who to call. At 7 a.m. New Year's Day, a jangling phone roused Diane Volentine, his former supervisor and (luckily) good friend, from an all-too-brief night's sleep. "I kept saying 'yes' just to get Mike off the phone," she recalled.

Later, Volentine realized she'd agreed to help Lewis equip an entire school with surplus AT&T computers.

Currently a GIS coach for professional services in a building near Lewis', Volentine's past experience running a training center made her a natural for the task.

Together Lewis and Volentine persuaded some 80 GIS employees to coordinate what Lewis calls the "job from hell."

The GIS resource center, which supports computer sales to the government, housed records that helped employees, including Brad Apling, Randy Kuczor, Graylin Mann and Donella Rucker, find unused computer equipment at other AT&T locations and get it shipped to the mission.

Along with two other corporate donors, AT&T helped the mission equip a library, a computer training center and a classroom, and agreed to help staff it with volunteer teachers, like Volentine.

In early September, the dream came true when, to much media fanfare, the School of Tomorrow opened. Besides computer training, its curriculum includes reading, writing, math, resumé writing and general equivalency diploma preparation.

One of the first to join was Ferdinand Banks, 44, a two-year resident who got help beating his crack cocaine and alcohol problem at the mission.

Healed himself, Banks now wants to heal others: He wants to be a nurse. "I need to learn how to help handicapped and sick. Medical records are tracked through a computer bank. So I enrolled in a complete course—reading, data processing, word processing," said Banks.

He's not alone. Applications have been flooding in, said Banks, who helps process them.

"Everyone's been waiting on this school. We just need it so much. For me, this is going to be a new beginning." ■

—Cathy Fee



CHRIS USHER

Mike Lewis and Diane Volentine

bulletin board



AT&T News
Volume 1 Issue 12
November 1994

Helping AT&T people understand how the company's strategy, values and vision apply to them by presenting timely information in an interesting way.

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ACADEMIC AWARDS

... College scholarships are again available to current high-school seniors who are children of active employees. The AT&T Academic Awards Program provides scholarships of up to \$10,000 per year on the basis of academic achievement (at least a 3.25 cumulative grade point average [GPA]), leadership and community service. A total of 80 scholarships and 920 AT&T Long Distance Certificates of \$200

each will be awarded in 1995. Scholarships can be renewed for up to three years if the recipient maintains a 3.25 cumulative GPA and meets other program requirements.

The program is part of AT&T's collective bargaining agreements with the Communications Workers of America and the International Brotherhood of Electrical Workers. It has been

expanded to include children of non-

represented and management employees.

To get an application, call 800-282-2828 or fax your request to 609-639-6346. Include your name, Social Security number, business unit/division, business address and phone number. Applications are available from Oct. 17, 1994 through Jan. 17, 1995 and must be postmarked by Jan. 31.

ANYTHING YOU CAN DO ...

The Global Procurement Organization (GPO), AT&T's major purchasing organization, has established two "I Can Do Better" suggestion lines for employees to offer ways to improve service. The GPO has established two 800 numbers, 800-288-2897 and 800-884-2504 for Procurement/Transportation and Travel, respectively, that will be staffed from 8 a.m. to 5 p.m., Monday through Friday. Besides taking your suggestions, a GPO associate will assist you with quotations and procurements, negotiations, and national contracting among other areas. Most calls not answered during operating hours will be responded to within 24 hours.

MERGED ... The AT&T Library Network, the Information Research Center, Engineering Information Services and AT&T Internal Records Management organizations have been merged into the AT&T Information Services Network, an association of 22 libraries and specialized information services. Products and services include libraries, online information retrieval systems, newsletters and bulletins, intellectual property management, research and competitive analysis for AT&T internal customers.

For more information or for services, call 908-582-4840 or send e-mail to library!libnet.

SPECIAL LEASE DISCOUNTS ...

AT&T employees and their families are eligible to receive substantial discounts on all vehicles leased through AT&T Automotive Services. All new cars, passenger trucks and passenger vans sold in the United States are available for lease at special savings. Leases on used vehicles up to three years old

also are available. AT&T Automotive Services provides consumers nationwide with a convenient, hassle-free, low-cost alternative to getting a new or used vehicle. For more information and to speak with an expert lease consultant, call 800-CAR-LEASE, 8 a.m. to 6 p.m. EST, Monday through Friday.

UNIVERSAL STUDIO DISCOUNTS ...

All AT&T employees (active and retired) visiting Universal Studios Florida can now get a 20 percent discount for themselves and a party of three. To receive the discount, employees will need to show their AT&T badge at the ticket window. This offer does not include special events.

Larger parties should call 407-354-5700 for a Universal Studios Fan Club Card. This card will enable employees to purchase tickets for as many as six people with a 10 percent discount. This card also can be used for other discounts throughout the park.

COMMUNITY CARING ...

Led by dedicated AT&T volunteers, a corps of students, teachers, parents and other community residents gathered in a Dallas schoolyard one rainy Saturday morning last year. The project was called "Clean Scene." When the team had finished, a three-mile area was free of bottles, newspapers and assorted trash, and the recyclable garbage was on its way to a second life.

To learn more about this venture and other examples of how our

company and its people give AT&T a face and a heart in the communities where we live and work, you'll want to read the AT&T Foundation 1992-1993 Report. This report, available for free, highlights results and lists grants made by the AT&T Foundation and the AT&T University Equipment Donation Program. It also celebrates 10th-anniversary milestones.

The AT&T Foundation, which provided \$63.5 million in cash grants to non-profit institutions in

1992 and 1993, is the centerpiece of AT&T's public service activities. Committed to meeting society's needs in ways linked to our business interests and expertise, the AT&T Foundation and the AT&T University Equipment Donation Program complement the work of countless employee volunteers and various local and business unit initiatives to better our communities.

To order the report, call 904-636-3898 or fax your request to 904-636-1674.

Earnings

continued from page 1

which now include part of McCaw's revenues, increased \$376 million, or 3.5 percent, to \$10.97 billion. The growth in long distance came largely from consumer services. Business 800 and international calling also contributed to the revenue growth. The increased calling volume was helped in part by the success of AT&T's *True Rewards* and *True USA Savings* plans. About 13 million consumers have enrolled in the savings plan and 12 million in the rewards program. The gross profit margin for telecommunications services also showed a healthy gain.

The portion of McCaw's total revenues now included in telecommunications services grew \$139 million to \$596 million. Cellular service subscribers, including markets in which

McCaw has a controlling interest, or shares controlling interest, grew more than 34 percent to 3.6 million. McCaw's proportionate share of those subscribers was 2.5 million, up from 1.7 million a year ago. With merger-related expenses, McCaw reported a loss this quarter. Without those expenses, net income was \$38 million.

Product Sales on Rise

Product sales increased 20 percent, or \$846 million, to \$5.07 billion, reflecting strong growth in almost all product businesses. A large part of that gain, \$417 million, came from Network Systems' sales of equipment and systems, especially in the area of transmission systems. Sales to U.S. telephone companies continued to increase, while international sales rose nearly 20 percent. In addition, sales of microelectronic components outside the United States were up more than 20 percent.

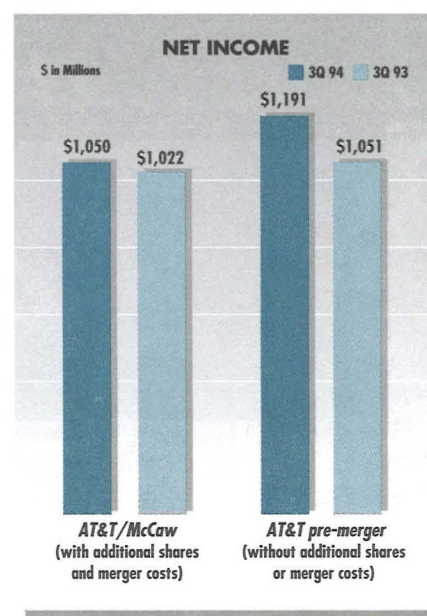
Global Information Solutions reported a \$247 million increase in computer product and systems sales. Total revenue grew to \$1.98 billion, an 18 percent growth over the same 1993 quarter. Operating income was at break even this quarter, an improvement from the \$56 million loss reported in the year-ago period.

Sales of communications products, including business phone systems and consumer equipment, were up \$117 million. Sales of Global Business Communications Systems business equipment was the chief contributor to the gain, with a significant portion of the growth from sales abroad. Consumer product revenue growth was led by sales of cordless and cellular telephones.

Revenues in Financial Services, which includes AT&T Universal Card and AT&T Capital Corp., increased \$174 million. Revenue

increased for Universal Card, which now has 14.6 million card-member accounts. AT&T Capital Corporation reported third-quarter earnings of \$25.0 million, a significant increase from the \$3.2 million reported in the same 1993 quarter. The AT&T subsidiary declared a third-quarter dividend of 10 cents per share, up from the previously paid 9 cents per share.

Strong Revenue Growth



Total costs rose 5.8 percent, primarily as a result of higher product sales. Selling and administrative expenses increased because of the merger-related expenses as well as higher promotional costs for the company's marketing campaigns. Strong revenue growth

more than offset the increased costs and expenses, resulting in a 10.6 percent increase in operating income.

For the nine months ended September, AT&T and McCaw had net income of \$3.37 billion or \$2.16 per share on revenues of \$53.98 billion. For the same 1993 period, net income was a loss of \$6.68 billion (because of accounting changes), or a minus \$4.33 a share, on revenues of \$50.28 billion. Year-ago income before accounting changes was \$2.93 billion or \$1.89 a share, an increase in income of 15 percent.

What's Next?

AT&T Chief Financial Officer Rick Miller says that momentum will continue, expecting "stronger performance in the fourth quarter, driven by the seasonality of our product businesses and the momentum we have developed across the business. In the longer term, we remain convinced that we are laying the foundation for continued strong performance."

EVA Results

Based on third-quarter Economic Value Added of \$697 million, AT&T is currently ahead of target to meet the 1994 EVA goal. Based on the year-to-date underrun in average capital and meeting the fourth-quarter EVA target, the AT&T Performance Award could potentially reach 5.3 percent of individual salaries, which is 106 percent of the target award of 5 percent for those in the management payment plan and the technical personnel plan. Look to business units and divisions for reports on their performance and the status of Unit Performance Awards. The November issue of Compensation & Benefit Update will have more details about the APA. ■